

Which Emerging Westside Office Market Is Winning?

JUNE 8, 2016 | BY [KELSI MAREE BORLAND](#)

LOS ANGELES—While the market is seemingly just outside the trendy office naves, El Segundo is pulling in creative tenants with its stunning developments and low rents, GlobeSt.com reports in this **EXCLUSIVE** story.

[FOLLOW](#) [PRINT](#) [REPRINTS](#)



Gary Horwitz is a managing director at JLL.

LOS ANGELES—The Westside creative office market has incredible demand and an ever-tightening supply, and, as a result, creative tenants are flocking to adjacent neighborhoods for more options and lower rents. Playa Vista, Culver City and El Segundo have all benefited from the overflow; El Segundo is starting to show demand among creative office tenants. According to some recent research from **JLL**, creative

office product in El Segundo is outperforming traditional office and commanding an 18% rental rate premium and has a long roster of recent tenants to join the market, including **JustFab**, **DaVita**, **Sanrio** and **L'Oreal**. Since 2012, the market has seen a 63% hike in rental rates, and has 1.2 million square feet under development. It is a whirlwind of a market, so to find out more, we sat down with **Gary Horwitz**, a managing director at JLL, to find out more about the market and how it compares to its emerging neighbors.

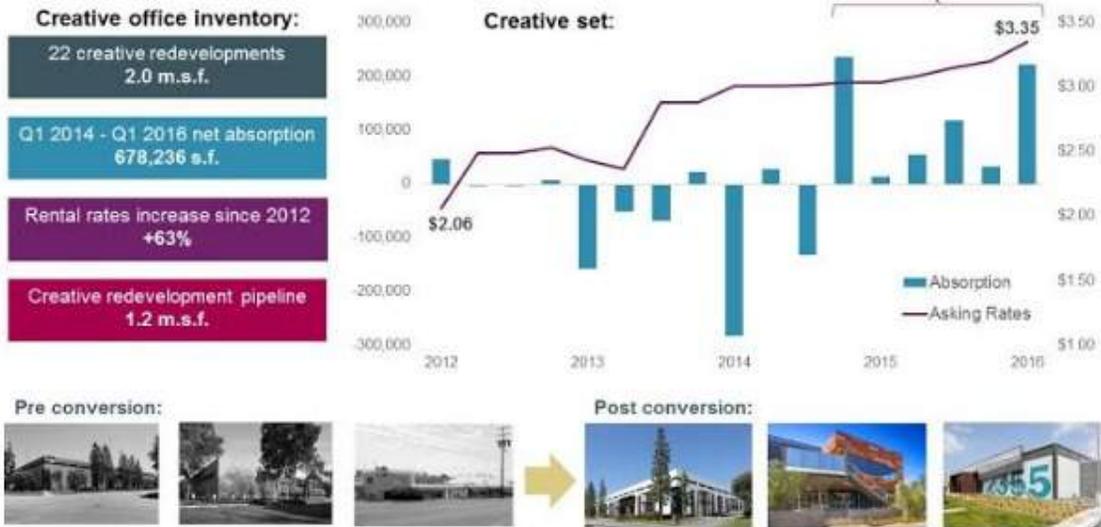
GlobeSt.com: What is driving creative office demand in El Segundo?

Gary Horwitz: Over the past three years, approximately two million square feet of new and repurposed creative space was delivered to the El Segundo market. There is an additional 1.5 Million square feet of creative office product either currently planned or under construction. These creative spaces/open plans offer tenants the work environment and amenities that they are looking for. Most of the growth in recent years has been organic, with the majority of the companies growing their El Segundo employee base, or relocating from other nearby South Bay locations. There has certainly been some migration from Westside markets, but most of the growth has been from organic growth.

GlobeSt.com: How does the market compare to other emerging counterparts, like Culver City and Playa Vista, which have also seen an increase in creative office demand?

Gary Horwitz: El Segundo is a very business friendly City and was recognized as such by the LAEDC this past year. Rents in El Segundo are generally 25% to 40% lower than rents for comparable creative office product in many of the Westside markets. El Segundo provides easy access to LAX, a small-town downtown atmosphere with a thriving art scene, proximity to wonderful beaches and desirable housing. There is currently a lot of excitement with the Lakers new facilities near completion, the Kings headquarters and the Rams playing nearby, which should have a positive impact on El Segundo's hotel industry.

El Segundo establishes its position with creative tenants



Rental rates in El Segundo have gone up 63% in four years.

GlobeSt.com: Is there a trend among the types of tenancy?

Gary Horwitz: I would suggest that El Segundo may have the most eclectic tenant mix of any submarket in Los Angeles. There are many Fortune 500 companies based in El Segundo, along with technology startups, healthcare/biotech, media and aerospace tenants. El Segundo has certainly shifted over the past decade from a market that catered primarily to large single building users (i.e. large Aerospace companies) to tenants of all sizes in multi-tenant building settings.

GlobeSt.com: Where do you see that market in the next five years?

Gary Horwitz: There is no indication that things are slowing down. Average rents have increased by approximately 50% over the past 5 years, but rates are still only averaging slightly above \$3 square feet full service and are significantly lower than comparable Westside markets. There are several exciting new creative projects that will come online in 2017/2018 adding another approximately 1.5 million square feet to the market. While there is not much available land to build, there are a few large-scale development opportunities that could materialize over the next several years (i.e.. Raytheon campus land, Northrop on Aviation, and the Continental Development land along Rosecrans).